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19 March 1958

*Amended 220 2
neg - A - 501*

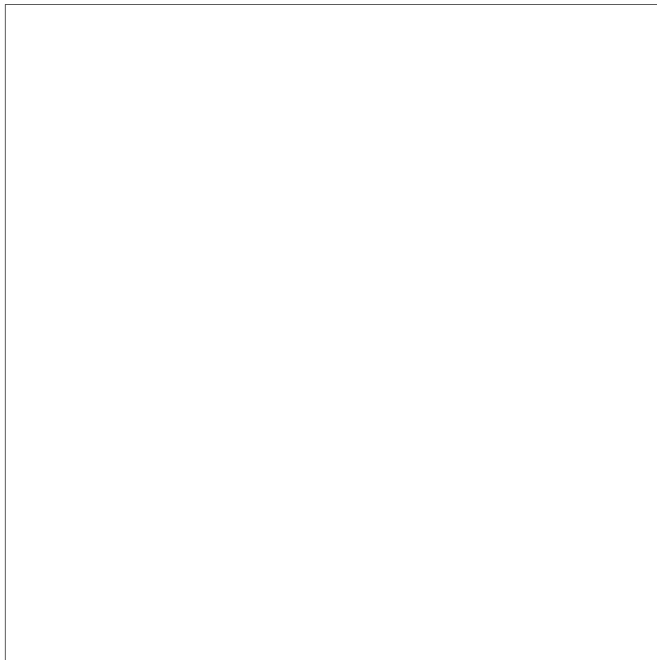
Memorandum for: Cmdr. J. W. Holcomb, BUAER

Reference : Aar-AV-0332
RW Proposal dated 10 February 1958

1. An attempt has been made to have RW reduce their fee to as requested by you in the above referenced memorandum. Attached is a copy of their letter dated March 11, 1958, ONCC Doc. No. 151X5.1018 (25386) regarding their basis for 8 1/2% fee.

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2. A Government Auditor gave us the following information:



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3. The basic contract with RW previously approved by you, provides for 100% payment of costs and payment of fee up to 85%. Further payment of fee to be withheld until a reserve of either 15% of the total fixed fee or \$100,000 whichever amount is less shall have been set aside, such reserve or the balance thereof to be retained until the execution and delivery of a release has been submitted by the Contractor. We do not find a reference to a DOD regulation which provides for payment of only

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80% of costs until the item is complete except in the case of cost-reimbursement type supply contracts without fee.

4. Your above referenced memorandum read in part "Please advise RW to continue work provided they agree with these two changes noted above." In subsequent telephone conversations you advised that RW should continue with the work even though on initial contract they did not agree with reducing the proposed 8 1/2% fee.

5. We are ready to proceed with issuance of an Amendment to NY-A-501 but prior to doing so we would like to have your written approval to authorize the 8 1/2% fee and pay costs and fee in accordance with the existing contract clause.

[Redacted]

Contracting Officer

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PS/DCI: [Redacted] 3

Distribution:

Orig. - [Redacted] - Navy - w/cy 2 of SAPC-25386

25X1A 2. - [Redacted] NY-A-501 w/cy 1 of SAPC-25386 (Prop. Sec.)

3. - Proj. Chrono (RI)

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[Redacted]

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CMCC Doc No. 151x5.1018

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25X1

March 11, 1958

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Original copy made & sent to

Dear Dan:

Please refer to our recent conversation relating to fee on our proposal CMCC Doc No. 151x5.973. The proposed change in fee seems to stem from a misunderstanding as to the nature of the work to be performed. Although the word "production" is used frequently in this proposal, we felt certain that everyone concerned understood that this referred to work performed in our pilot line or job shop as opposed to that done in the laboratory.

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The System 3 M-2 is basically an experimental system, not a production system. The current proposal covers 8 new units, but even these are subject to further additions and changes growing out of the present development work. It covers also the modification of 16 systems to incorporate the latest design changes. Again, this can hardly be called production.

Customer D has mentioned two contracts in the Control Systems Division that appeared to bear a reduced fee. I will try to explain these without getting involved in direct contract comparisons since it is obvious that we have a number of contracts bearing a higher fee as well as some carrying a lower fee.

The first of these contracts, AF33(604)-16900, is a development contract with the Air Force. Twenty-five per cent of this contract is subcontracting. If this is removed, or if the fee on subcontracting were lower, the remaining fee would look more like [redacted]

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This contract also has a tremendous production potential. These are the two reasons the Control Systems Division felt that they could accept a fee of [redacted] which would otherwise have been unacceptable.

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The second contract, NOas-55-499c, is a study contract with the Navy. The contract began with a [redacted] fee, and it was only the final supplemental agreement that carried a [redacted]. This new fee was not because of follow-up production since as a study contract there was no production even remotely connected.

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This document contains information affecting the national defense of the United States within the meaning of the Espionage Laws, Title 18 U.S.C., Section 793 and 794, the transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

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CMCC Doc. No. 151x5.1018

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I hope this will clarify the apparent misunderstanding. As we have discussed, we are proceeding with this work.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sid".

Sid

JSW:sb

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